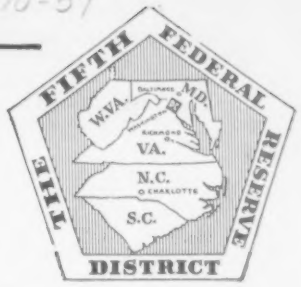
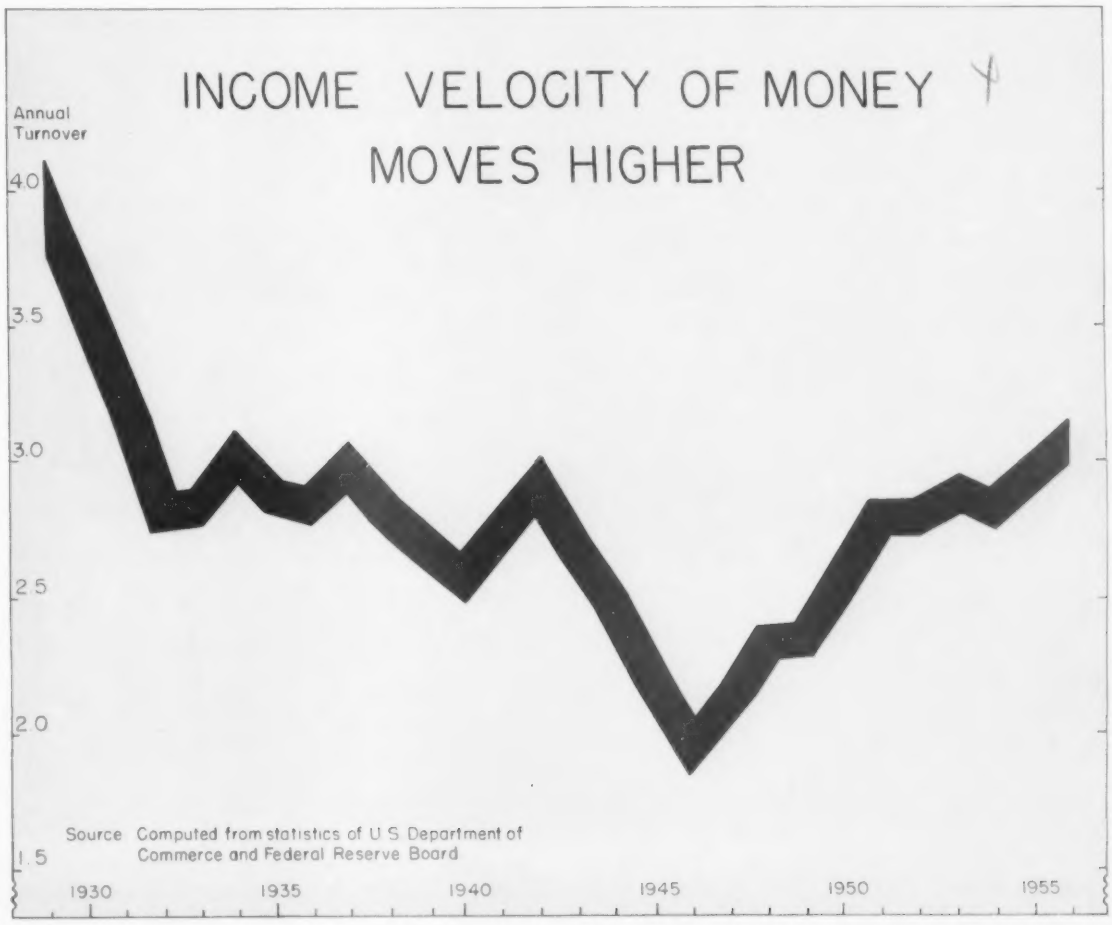
4-10-57

FEDERAL RESERVE BANK OF RICHMOND

Monthly Review



April 1957



More rapid turnover of money has exerted more influence on economic activity recently than increased supply of money. The article on page 3 describes these developments and discusses some of their implications for monetary policy.

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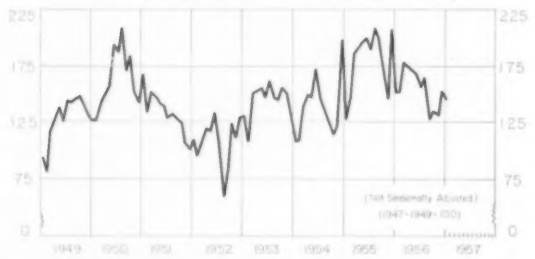
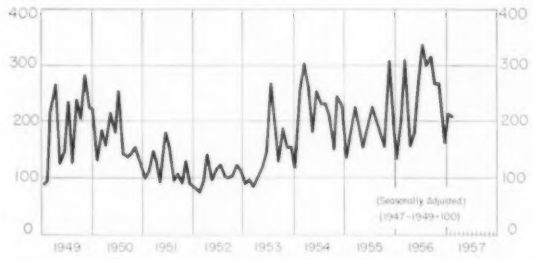
FIFTH DISTRICT TRENDS

NEW PASSENGER CAR REGISTRATIONS



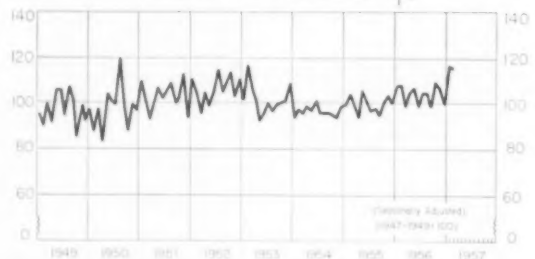
Four Fifth District states and the District of Columbia had new passenger automobile registrations in February 3% smaller than in January and 8% smaller than in February 1956. The two months' total was down 5% from a year ago for these states.

BUSINESS FAILURES



The number of business failures in the District during February declined 3% from the January level; but they were still 4% ahead of a year ago and the two months' total was 26% above last year.

CIGARETTE PRODUCTION



Output of cigarettes in the District during January was 17% higher than in December and 8% ahead of a year ago. Preliminary indications are that February output receded from the January level.

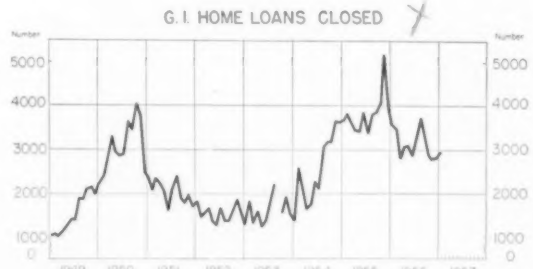
ACTIVE COTTON SPINDLE HOURS

The number of hours which the active cotton spindles in Fifth District mills were operated during February rose 1% (after seasonal correction) from January, but were 5% smaller than a year ago; the first two months of the year were down 2% from last year. Cotton consumption (adjusted) declined 1% from January to February.

LIFE INSURANCE SALES

Sales of life insurance in the Fifth District have been rising at an annual rate of 15% or better per annum ever since 1950. In February this year the increase over last year was 26% and the two months' sales were 22% higher. February rose after seasonal correction 4% from January.

G.I. HOME LOANS CLOSED



The number of GI home loans closed in January in the Fifth District rose 4% from December, but stood 18% under a year ago. The value of these loans rose 5% from December to January but was 15% under a year ago.

Monetary Velocity—How Active A Partner?

Too often there has been a tendency for the financial world to relegate monetary velocity to a place subordinate to the supply of money as a determinant of economic activity. But money and velocity—the speed with which the money supply is spent—are equal partners; velocity is not a sleepy, inactive partner as is sometimes supposed. In fact, developments in recent years—and particularly in recent months—have increased velocity so rapidly that it has at times played a more active part in expanding economic activity than has the slowly increasing money supply.

In what ways is this so? The following attempt to answer the question will examine first the nature of money and velocity and the relationship each bears to the level of economic activity. Then historical and recent changes in velocity will be analyzed, and their significance for monetary policy discussed briefly.

Nature of Money and Velocity

Most authorities agree that money is "anything generally acceptable in payment for goods and services"; the difficulty arises in distinguishing "generally acceptable" items. Obviously, currency in the hands of the public falls within the scope of the definition. Similarly, there is agreement that demand deposits should be included since an estimated 85% of all payments are made by check. On the other hand, a quandary exists as to whether one should include time deposits and short-term highly liquid securities despite the ease and near-certainty with which they can be converted into cash.

The dilemma is usually resolved by using the Federal Reserve's published statistics, "demand deposits, adjusted, plus currency outside banks," as a measure of money supply. This series includes (1) all demand deposits, except Federal Government and interbank deposits, less checks in process of collection, and (2) currency held by the public. Checks in process of collection are deducted to prevent the double counting that would arise from carrying the same deposit on the books of the two banks involved. Cash in bank vaults, interbank deposits, and Government deposits are excluded since they are not available to the public for spending and are also poor clues as to the volume of bank and Government expenditures. Short-term liquid assets and time deposits are not included because they must be converted into money before being "spent."

There are two concepts of velocity in use—transactions velocity and income velocity. The former refers to the number of times during a period the average dollar is spent on goods, services, and securities. It is a broad concept, including not only spending on finished goods, services, and securities, but also spendings on second-hand goods and all intermediate payments at each stage of production. Income velocity, on the other hand, refers to the number of times the money supply is spent during a period on newly produced *finished* goods and services (i.e., those that are a part of Gross National Product). Consequently, it excludes spendings on second-hand goods, securities, and "intermediate" payments and is much smaller than transactions velocity. The following analysis deals chiefly with income rather than transactions velocity since the purpose is to demonstrate how velocity affects the level of Gross National Product.

A number of factors determine velocity. Among the more important institutional influences are the state and development of the financial system, the frequency and regularity of income payments, and the rapidity of transfer of money. More important in the short run are the degree of "tightness" in the money supply and changing expectations as to future incomes, prices, and interest rates. The importance of these psychological factors is particularly evident in the rapid upward shifts in velocity resulting from the fear of shortages and price increases at the outbreak of war.

Relationship of Money, Velocity, and Economic Activity

Probably the easiest way to analyze the influence of money and velocity upon economic activity is by means of the "income" quantity theory, which is represented by the simple equation $MV = OP$. M refers to the average supply of money; V (income velocity) is the average number of times each dollar is spent on new goods and services; O is the number of units of these products; and P is the average price per unit. The equation is actually a truism since the left-hand member—the amount spent on GNP—necessarily must equal the right-hand member, the value of the products sold. If the volume of spending on GNP (MV) is, for example, $300 billion, then the value of the products sold (OP) obviously must be $300 billion, too.

The importance of this approach is that it provides an organized method for analyzing the forces determining economic activity. For example, suppose improved business expectations result in an expansion in loans of banks (a growth in M) and other financial institutions (an increase in V). The increased spendings accompanying the loan expansion will stimulate production (O) and exert upward pressure on prices (P), the relative movements depending upon the prevailing conditions in the economy. If there is idle capacity, the increased expenditures will act mainly to expand output, and there will be relatively small price increases. If, on the other hand, there are production bottlenecks, high employment, or wage-price squeezes, it will be more difficult to expand output, and most of the increased spendings will spill over into higher prices.

The same sort of reasoning can be used to explain

the effects of other movements in velocity and in the money supply. The important point is that changes in velocity can have just as important effects upon the economy as do changes in the supply of money.

Some Historical Relationships

A glance at the sharp movements in annual income velocity (shown in the cover chart) demonstrates that these changes have played a vital role in the diverse economic activity of the past twenty-seven years.[1] Generally, velocity and money supply have moved in the same direction as GNP, reinforcing each other and making possible larger changes in GNP than could have occurred otherwise. This was particularly evident during the tremendous downturn following the 1929 crash when all three series plunged downward more sharply than during any other period studied. The parallel is again quite noticeable in 1937 when GNP reached a peak only to tumble downward along with velocity and the money supply in the 1938 recession. The increased velocity brought about by the anticipatory buying at the beginning of World War II also "assisted" the expansion in money in facilitating the 1942 upturn in GNP. Finally, since the end of the war, both velocity and money supply have moved closely with Gross National Product during almost every year.

There are some important exceptions to this general relationship, which demonstrate clearly that velocity sometimes acts independently from the money supply in influencing the pace of economic activity. To illustrate, during 1935 and 1936 a $7.6 billion rise in the money supply overcame a .182 fall in annual velocity, thus enabling GNP to rise by $17.7 billion. The same sort of thing occurred in 1939 and 1940 when GNP rose rather sharply despite a downturn in velocity following the 1937 peak. The most notable exception was in the World War II period when large personal savings, scarcity of goods, and comprehensive direct controls held down velocity while heavy bank purchases of Government securities were expanding the money supply and offsetting the decline in velocity.

Some Recent Developments

Recent velocity trends have followed the more common pattern of reinforcing the expanding money supply. In fact, they seem to have been more important in financing the higher GNP than has the up-moving supply of money. Between 1955 and 1956 velocity edged up from 2.952 to 3.074, an increase of around 4.1%, but during the same period average money supply rose by only 1.3%.

Since increases in velocity and money supply finance increases in GNP in proportion to their percentage changes, this means that higher velocity was over three times as important in financing the expansion in GNP as was growth in the money supply. It can be determined algebraically that the larger money supply made possible only $5.2 billion of the total $21.5 billion jump in GNP between 1955 and 1956. The remaining part —$16.3 billion—was financed by the higher velocity.

No Gross National Product statistics have yet been published for 1957, so it is not certain whether the upward trend in income velocity is continuing. However, recent figures on debits to demand deposits—a series generally moving closely with income velocity although it is more akin to transactions velocity—show a continuing uptrend; so it's a good guess that increases in income velocity are still at work in the high-level activity of early 1957.

Several factors have contributed to this higher velocity. Probably one of the most important has been the effect of higher interest rates in encouraging individuals to part with funds that otherwise might have been held idle. In addition, "tight" money has increased velocity by forcing businesses to finance their larger operations with limited supplies of bank funds. This has led to such devices as speeding up the deposit of money, pressing customers to pay their bills more quickly, cutting back inventories in some lines, selling or borrowing against accounts receivable, reducing the number of bank accounts and the amount of cash dividends, and utilizing sale and leaseback arrangements.

Implications for Current Monetary Policy

Because of this expanding velocity, some analysts have argued that monetary policy can do little to slow down price increases. Usually the argument is based on the contention that, in the main, monetary policy operates by influencing the money supply, not velocity. "How," it is asked, "can monetary policy be effective when such a high proportion of lending is done by financial institutions whose operations are beyond the control of System policy?"

This is quite correct—up to a point. Monetary policy does normally operate on the money supply side, and shifts in velocity make policy goals more difficult to attain. Recently, when the economy was operating at near full-employment with strong wage-price pressures, the logical course was to offset partly the effects of higher velocity by holding monetary expansion to a lower rate than would otherwise have been required. If this had not been done, total spending could have been much greater, and prices might have risen even further. Conversely, if velocity had fallen, presumably it would have been necessary to offset the drop by an easier money policy.

In the coming months, monetary authorities will watch carefully for shifts in velocity so that monetary policy can continue to play an important role in tailoring money demand to contribute to stability and to sustainable economic growth.

[1] In determining velocity (GNP / average money supply), it was necessary to estimate the average money supply. This was done by computing the average for such dates as had published statistics. The 1929-1942 estimates are averages of three figures—those for the end of June, December, and December of the previous year. Estimates for later dates are averages of thirteen monthly figures—those for each month and the end-of-the-year figures for the year before.

Fifty Million More Opportunities

An interest-catching phrase with considerable vogue at present is "the Golden Sixties." These prophetic words describe the booming business volume envisioned by many for the decade beginning in 1960. For the most part, this glittering prognostication rests on the amazing rate of growth of population during the past ten years—double the rate of the 1930's—and the great increases in population and family formation expected to occur during the 60's. Recent estimates by the Census Bureau indicate that by 1975 the population of the United States may be pushing the 228 million mark. If this be true, in the next 18 years the nation will add 58 million persons—8 million more than the 50 million increase in the preceding 30 years.

The surging growth of the postwar population has already left an indelible mark on the nation's business and social structure. In conjunction with the tremendous backlog of deferred demand from World War II, it created a dynamic economy and embarked it on the longest and strongest boom in history.

That an expanding population and its consequent changes in composition will automatically produce prosperity is not necessarily true. The world, unfortunately, includes many a country in which the growth of population has outstripped resources and technological progress and created economies of indigent, low-productive workers. Whether the Sixties will indeed be gold-plated or of a much baser nature will depend on the success achieved in keeping the labor force at work and in increasing the productivity of its efforts. In brief, there will be no Golden Sixties unless there exist a minimum of unemployment and a maximum of productivity gains.

School Problems Just Beginning

Given this nation's generally adequate natural resources, however, and assuming continued success in keeping unemployment near minimum levels, in advancing productivity and maintaining a sound monetary and credit structure, population increases should sharply stimulate business activity. In the following analysis particular importance is attached to the changes occuring in the composition of the population in terms of age groups.

One of the very visible deficiencies of the postwar period has been the inadequacy of classrooms for swelling enrollments in grammar and high schools. The sharp drop in births from 1924 to 1933—unbroken except for a slight increase in 1930—was reflected in declining school enrollments from kindergarten to the eighth grades all through the 1930's and up to 1944. This trend was reversed as a consequence of the sharp rise in births beginning in the late thirties and was given an increasing upward tilt by the large numbers of births beginning in World War II and continuing unabated through the postwar period. In the relatively short period, 1950-56, enrollments increased 31% in kindergarten and elementary schools and 28% in high schools.

Projections by the Department of Health, Education, and Welfare indicate that the increase in the school-age population is far from spent. It is estimated that elementary school enrollments will increase 22% in the last half of the present decade and another 10% from 1960 to 1965. During these two periods high school enrollments will show gains of 20% and 32%.

The headaches of shortages—of classrooms, teachers, and operating funds—suffered through the postwar period by municipal officials will then beset presidents and deans of colleges and universities to an increasing extent. Many of them are already striving to prepare, physically and financially, for the vast increases in student rolls in prospect.

College Enrollments to Double

Estimates are that from 1954 to 1959 the number of boys and girls age 18-21 will have increased 10%. In the following five years, however—from 1959 to 1964—the increase will jump to 25%, and still another gain of 25% will be piled on between 1964 and 1970.

The impact is already being felt in schools of higher education. After declining slightly from the 1954 peak of 2,414,000 students, enrollment in colleges and professional schools rose sharply to 2,883,000 in 1956. Increases in prospect for the college-age population, 18-24, together with the gradual increase in the percentage of young people entering college, indicate that the number of college students by the early 1970's will be double the 1955 total—some 5 million!

Problems arising from these swelling waves of new students—currently most serious in elementary schools, shortly to become particularly onerous in high schools, and then to bear heavily on colleges—are especially pronounced in the Fifth District. As shown in the accompanying table, with the exception of Maryland, District states have larger proportions of their populations under 17, in preschool and compulsory school ages, than does the nation. Accentuating the problem of providing adequate school facilities in the Fifth District are the relatively low income levels in much of the District.

PERCENTAGE DISTRIBUTION OF ESTIMATED CIVILIAN POPULATION BY BROAD AGE GROUPS, UNITED STATES AND FIFTH DISTRICT
April 1, 1950 and July 1, 1955

	Under 5		5-17		18-44		45-64		65 & over	
	1950	1955	1950	1955	1950	1955	1950	1955	1950	1955
U. S.	10.8	11.3	20.4	23.0	40.1	36.5	20.5	20.6	8.1	8.7
Md.	11.2	11.2	19.9	23.0	42.3	39.3	19.6	19.5	7.0	7.0
Va.	11.9	12.5	22.8	25.3	41.2	36.8	17.5	18.3	6.6	7.2
W. Va.	12.0	11.4	24.9	27.1	39.1	34.8	17.2	18.7	6.9	8.0
N. C.	12.5	12.4	25.6	27.2	40.8	37.3	15.6	16.8	5.5	6.2
S. C.	13.3	13.5	27.4	29.0	39.2	36.1	14.7	15.3	5.3	6.1

Source: Bureau of the Census, *Current Population Reports*, Series P-25, Number 151, February 11, 1957.

A more pleasant aspect of steadily increasing numbers of school-agers and teenagers is the vast array of opportunities for manufacturers and retailers and everyone else connected with businesses that feed, clothe, teach, and entertain the "future leaders of the country." Figures like those in the table (showing the distribution of population by age groups) conjure up a multitude of attractive market opportunities in almost every conceivable line of business activity.

PERCENTAGE INCREASES IN CIVILIAN POPULATION BY BROAD AGE GROUPS, UNITED STATES AND FIFTH DISTRICT
April 1, 1950 to July 1, 1955

	Total	Under 5	5-17	18-44	45-64	65 & over
U. S.	8.5	13.3	21.9	— 1.3	8.9	15.4
Md.	15.9	16.2	34.3	7.7	15.4	14.8
Va.	6.7	11.9	18.4	— 4.9	11.3	16.2
W. Va.	— 1.1	— 5.8	7.4	—11.9	7.6	15.5
N. C.	5.8	5.3	12.4	— 3.1	13.7	20.0
S. C.	7.4	8.9	13.8	— 1.0	11.6	22.6

Source: Bureau of the Census, *Current Population Reports*, Series P-25, Number 151, February 11, 1957.

Retirement Ranks Swell

Swing over to the other end of the population range, and one finds that large growth is also in store for the 65-and-over group. It is estimated that, whereas by 1975 the number of youngsters under 18 may be 40% greater than their 1955 count, the 65-and-over class is likely to record a growth of 46%. If this materializes, this high-age group will account for 9.3% of the total population in 1975 as compared to 8.5% in 1955.

As seen in the accompanying tables, the number of persons 65 and over has been growing more rapidly in most Fifth District states than in the nation. Even so, the proportion of total population in this group in the United States is substantially higher than it is in any Fifth District state. The contrast is quite pronounced in North and South Carolina where the 65-and-over group comprises only a little over 6% of the total population compared to almost 9% in the nation.

The relative importance of this age group—its size as a per cent of total population—has been increasing steadily for years. Although the national rate has been higher than the District rate, the gains have been greater in the District—in recent years. For the nation, the percentage increase in this group, 1950-55, was less than double the gain for the total population, but in Virginia it was more than double; in West Virginia there was a substantial gain in persons 65 and over whereas total population actually declined; in North and South Carolina the percentage gains for the 65-and-over group were more than triple the increases in the total populations of these states.

If these recent substantial gains in the 65-and-over group continue, they will exert a significant impact on the economies of District states. It will take the form of market opportunities to provide for both new and expanding needs and demands of those reaching retirement age as well as creating problems for those who must support many of this older group. The financial problems are accentuated for the labor force and public agencies in the Fifth District by reason of the latter's income structure. Census data show no state in the District with as high a proportion of its dependent population with some income as is the case in the nation.

Relative Decline in "Productive" Group

In contrast to the sharp rate of increase since the end of World War II in the growth of the "nonproductive" groups (those under 18 and 65 and over) the number of persons aged 18-64 has continued to show much the same steady growth that has characterized this group in recent decades. This is an important development since it reversed the prewar decline in the ratio of persons in age groups under 18 and over 65 to the number in the 18-64 group. And its significance may be better appreciated when it is remembered that the latter group supplies most of the labor force. With the exception of Maryland, the 18-64 group is a smaller percentage of the total population in each of the District states than it is in the nation.

As stated earlier, the projected growth to 1975 of the age group 18-24 shows the biggest percentage gain of all the major age groups. The 25-64 group, however, is expected to have the smallest relative growth of all groups and to decline from about 48% of the total population to around 44% by 1975. Thus, the group that bears the brunt of producing the nation's goods and services and is the major support of the rest of the population, is expected to grow at a rate less than what would appear to be commensurate with the demands to be placed upon it.

Such a possibility tends to place many postwar economic developments in a new light. Many of the personnel shortages—engineers, teachers, and skilled construction workers, for example—regarded in recent years as temporary consequences of abnormally high levels of business activity, are likely to persist for years to come. In another area, the vast outlays for new plant and equipment that some feel may be leading to over-capacity and depression, may well turn out to be inadequate in the light of prospective production requirements, labor supply, and spending power.

In his economic report to Congress in January, President Eisenhower referred to the great "opportunities and potentials of our free economy in the next quarter-century" and to the responsibilities that "must be borne by Government and by the citizen." Surely both opportunities and responsibilities will be greatly affected by the developing changes in the age-group structure of the population, both in the District and throughout the nation.

For Fifth District Agriculture—

Heavy Acreage Cuts Are Indicated

THE annual March survey of farmers' planting intentions, made by the U. S. Department of Agriculture, is always interesting to farmers and bankers, for it contains the first clear indication of acreage adjustments growers expect to make in the coming year. This year in the Fifth District there is more than normal interest because a 5% cut in acres planted (vis-a-vis a 3.5% national cut) is forecast. Two highly significant developments are involved—the 20% cut in acreage allotments for flue-cured tobacco and the Soil Bank which is now in "full swing." Such changes could bring important modification in farm income and hence bear heavily on the economic well-being of an area in which agriculture is a major factor.

First reaction to the reduced acreage of flue-cured tobacco as a result of smaller allotments and a moderate Soil Bank sign-up would be to assume that production and income will be correspondingly reduced. This, however, overlooks the possibility that, even with a shift away from certain high-yielding varieties which produce qualities in weak demand, a way may be found to offset fewer tobacco acres with higher yields. There is also the possibility of a further offset to reduced plantings, since with a smaller crop in 1957, prices may average above those received in 1956.

Despite these possibilities, it seems almost inevitable that both the gross and the net farm income from flue-cured tobacco will be much lower this year than last. This raises important questions: What changes are taking place on farm land *not* in tobacco? And how far will the changes go in producing additional or offsetting income?

Reduced Plantings of Principal Cash Crops

The 1957 prospective flue-cured acreage in the District is 24% under 1956. A 17% cut is expected in the acreage of Virginia fire-cured tobacco, for which allotments also were cut, and both Maryland and Virginia sun-cured are expected to be 9% smaller. No change is expected in the burley acreage. On the whole, therefore, total tobacco acreage in the District is expected to be 22% below last year's level.

No official estimates of cotton acreage will be available until July, but an approximation can be made by adjusting the 1957 acreage allotments to take into account acreage placed in the Soil Bank and underplanting of allotments. On this basis, indications are that District cotton acreage will be reduced by 25% this year.

Like flue-cured tobacco and cotton, peanuts also are grown only in Virginia and the Carolinas (so far as this District is concerned) and here, too, a reduction is in prospect. The 12% cut which results from a like reduction in acreage allotments is exceeded in relative importance only by those for tobacco and cotton.

These three crops—tobacco, cotton, and peanuts—account for about 52%, 16%, and 5%, respectively, or 73% of total cash returns from the marketings of all crops in the District. They also account for 45% of the cash returns from the marketings of all farm products.

Feed Crop Intentions Also Down

The District's 1957 acreage of feed grains—corn, oats, barley, and sorghums—is expected to be some 297,000 acres or 4% smaller than last year. An indicated 3% increase in sorghum acreage and a 7% gain in barley plantings will not be large enough to offset the prospective 6% cut in corn and a 2% decrease in oats. Prospective acreage to be devoted to hay is down 2% from last year, while acreage of wheat (a good portion of which is used for feed) is 5% under a year ago.

District farmers this year plan to expand the acreage of only four crops covered by the USDA report—Irish potatoes, sorghums, barley, and soybeans. Of these, soybeans with a planned increase of 88,000 acres stand out as the leader and account for nearly three-fourths of the total expected expansion—119,000 acres—in the four crops. Such increases will not go far—either in terms of acreage or farm income—in offsetting a total reduction of 973,000 acres in the other crops. The net effect is an indicated 854,000-acre drop—5% below 1956—in the land devoted to the 12 specified District crops. It remains to be seen how much of this acreage will be placed in the conservation reserve program of the Soil Bank.

Sweet potato acreage is expected to remain unchanged. In North Carolina, however, the second largest sweet potato state in the nation, a 6% larger acreage is anticipated.

Total acreage in the 12 crops shown in the accompanying table is expected to show the greatest relative shrinkage from 1956 levels in North and South Carolina, in both of which states a 7% reduction is indicated. In West Virginia, the indicated cut is 4%; in Virginia, 3%; and in Maryland the reduction in prospect is 1%.

Acreage in Soil Bank

Although acreage reductions seem to be the order of the day, it is only in the tobacco, cotton, and peanut-producing areas that the impact on gross farm income seems likely to be severe. The effect on net farm income will be less severe since much of the expected underplanting of allotments represents land placed in

the acreage reserve phase of the Soil Bank. Payments for cotton land placed in the Soil Bank may run $19 to $20 million, or just over half the total indicated Soil Bank acreage reserve payments to Fifth District farmers. Of the remainder, about $10 million will apply to tobacco, with the rest divided fairly evenly between corn and wheat.

The role of the Soil Bank's acreage reserve program is relatively of greatest importance in sun-cured tobacco where the contracted acreage is 70% of last year's actual acreage. Cotton acreage placed by Fifth District farmers in the Soil Bank is 28% of last year's total. Corresponding percentages for other Fifth District crops are from 10% to 16% in the case of Virginia fire-cured and Maryland tobaccos and wheat. The sign-up for corn, burley and flue-cured tobaccos is less than 5% their actual acreage in 1956.

PROSPECTIVE PLANTINGS OF SPECIFIED CROPS IN 1957

Crop	Fifth District		Maryland		Virginia	
	Indicated 1957	1957 as % of 1956	Indicated 1957	1957 as % of 1956	Indicated 1957	1957 as % of 1956
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	587.0	76	----	----	66.0	76
Va. Fire-cured	7.1	83	----	----	7.1	83
Burley	22.7	100	----	----	10.5	101
Maryland	40.0	91	40.0	91	----	----
Va. Sun-cured	2.9	91	----	----	2.9	91
Total Tobacco	659.7	78	40.0	91	86.5	79
Cotton†	878	75	----	----	14	88
Corn, All	4,171	94	471	98	791	96
Oats**	1,981	98	70	95	234	95
Barley**	373	107	96	105	124	96
Hay, All*	3,962	98	417	97	1,302	102
Peanuts***	306	88	----	----	108	87
Soybeans***	1,382	107	237	108	270	92
Sorghums	170	103	----	----	18	90
Irish Potatoes	98.8	102	5.1	96	36.1	105
Sweet Potatoes	73.9	100	4	100	16.9	100
Wheat**	1,039	95	176	95	270	93
Total (12 Crops)	15,094.4	95	1,516.1	99	3,270.5	97

Crop	West Virginia		North Carolina		South Carolina	
	Indicated 1957	1957 as % of 1956	Indicated 1957	1957 as % of 1956	Indicated 1957	1957 as % of 1956
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	----	----	442.0	76	79.0	77
Burley	2.5	100	9.7	99	----	----
Total Tobacco	2.5	100	451.7	77	79.0	77
Cotton†	----	----	363	79	501	72
Corn, All	154	90	1,823	92	932	93
Oats**	66	90	700	98	911	100
Barley**	15	100	73	104	65	148
Hay, All*	720	98	1,013	97	510	93
Peanuts***	----	----	185	89	13	93
Soybeans***	7	88	543	110	325	116
Sorghums	----	----	112	110	40	93
Irish Potatoes	11	92	38.6	104	8	100
Sweet Potatoes	----	----	38	106	15	88
Wheat**	43	90	361	93	189	101
Total (12 Crops)	1,018.5	96	5,701.3	93	3,588.0	93

† 1957 cotton data are allotted acreages less an allowance for underplanting and cotton acreage placed in the Soil Bank program. Comparison is made with July 1, 1956 acreage in cultivation.

* Acreage harvested.

** Includes acreage planted in preceding Fall.

*** Grown alone for all purposes.

Sources: USDA, AMS: *Crop Production*, December 1956 and March 1957; *The Cotton Situation*, November 1956; *Cotton Production*, December 1956; and data from the Agricultural Stabilization and Conservation State Committees.

Business Conditions and Prospects

THE highly interesting and practical question as to whether the trend of business in the Fifth District is upward, downward or sideways has not been resolved —at least by analysis of February's statistical evidence. Much the same type of creeping changes occurred during that month as occurred in January. It is true that practically all the elements of strength indicated in January were missing in February; on the other hand, there was no clear-cut indication of a distinct weakening in the economy, despite the fact that most of the indicators were on the soft side. Logically, then, a tentative conclusion would be that the District business trend, as of a few weeks back, was "oscillating sideways."

The trade level, which showed conspicuous strength in January, declined a bit during February. New construction brought to the contract stage receded somewhat more than seasonally from January's improved level. Man-hours in manufacturing industries (for four District states) declined from January to February. Conversely, output of bituminous coal rose, business failures dropped, the life insurance sales pace accelerated, and farm income was substantially ahead of a year ago. Net new savings in the form of savings and loan shares, savings bonds, and time deposits in commercial banks were about level with January although well below a year ago.

Manufacturing

Manufacturing activity in the Virginias and the Carolinas during February was down from January, with durable goods industries declining more than nondurable goods industries. West Virginia was responsible for the durable goods drop; other states showed increases. Gains in February over January man-hours were shown in fabricated metals, machinery (electrical and other), transportation equipment, seamless hosiery, apparel, and paper in South Carolina.

Man-hours for most District manufacturers were lower than a year ago—all industries were down 2.9%; durable goods industries were down 4.7%, and nondurable goods industries 2.0%. Exceptions were: fabricated metals in North Carolina, machinery in West Virginia and North Carolina, transportation equipment and food in West Virginia, tobacco and cigarette manufacturing, apparel, and yarn and thread mills in South Carolina, paper in Virginia and South Carolina, and chemicals in West Virginia and North Carolina.

Average daily (seasonally adjusted) cotton consumption in District mills during February was 1% smaller than January, 7% smaller than in February 1956, and the two months' total was down 7%. Cotton spindle hours (adjusted) rose 1% from January to February, but were 5% under a year ago; and the two months' total was down 6%. Practically all the business in goods and yarns during February was done on a spot or nearby basis. Backlogs continued to fall, and inventories rose. Trade information indicates further curtailment during March and some further weakening of prices.

January cigarette production in the District was 8% higher than a year ago, but indications are that February failed to maintain that pace. February man-hours in Virginia and North Carolina were down 2% from January, but stood 16% ahead of a year ago.

Trade

Department store sales (adjusted) in February were 6% smaller than January, 5% larger than February 1956. The two months' total was up 4%, but early March weekly sales figures were weaker. Department store inventories rose 1% and were 4% ahead of a year ago. Radios, phonographs, television, and records sold quite well during February as did silverware and jewelry. Major household appliances slumped substantially, and considerably poorer business than a year ago was shown in women's and misses' coats and suits, men's clothing, furniture and bedding, and domestic floor coverings.

Sales of retail furniture stores in February slipped 1% (after seasonal correction) from January but ran 2% ahead of a year ago, leaving the two months' total down 1%. Although cash sales were off 4% (adjusted) from January, they were 6% ahead of a year ago. Credit sales rose 2% (after seasonal correction) and were 2% ahead of a year ago. Accounts receivable were 4% higher than last year, while collections rose 1%.

Sales of household appliance stores turned in a very different performance from the major household appliances in department stores. Sales of these stores (without seasonal correction) rose 4% from January to February and were 26% ahead of a year ago.

New passenger automobile registrations in the District of Columbia, Virginia, and North Carolina were 6% smaller in February than in January and 9% under a year ago. This brought the two months' accumulation 6% under a year ago for these states. Complete reports for all areas of the District for January show new registrations down 4% from December and 4% under a year ago.

Agriculture

Cash income from farm marketings during January rose 14% from a year ago, accounted for in the main by a 33% increase in income from crops. There was considerable variation in the year-to-year changes in income from crops during January in the various states of the District. Maryland showed a gain over a year ago of 52%; Virginia, a gain of 59%; West Virginia, a reduction of 27%; North Carolina, a gain of 32%; and South Carolina, a gain of 4%.

Despite these gains, the outlook for income in 1957 is not too hopeful as a result of a general acreage reduction and particularly, a substantial reduction in flue-cured tobacco. Some offsets to acreage reductions may be found in prices received by farmers which in February were running ahead of a year ago in some of the states. Maryland, for example, was up 4%, Virginia up 2%, West Virginia up 2%, while North Carolina was down 3%, and South Carolina was down 1%.

Construction

Construction contract figures in the Fifth District beginning January 1957 are not comparable in concept with previous published information, and the amount of detail has been substantially reduced. It is evident, however, that the 45% increase in January over a comparable figure a year ago can only in part be attributed to a conceptual change in the figures, indicating that January was a rather exuberant month for new construction commitments. These figures show residential awards up 25%, nonresidential awards up 28%, and public works and utilities up 133%. February, however, did not follow through—total awards were down 8% from January which, on the old basis, was more than seasonal. The 8% drop represented a decline of 18% in residential awards and a drop of 70% in public works and utilities awards, in part offset by a rise of 48% in nonresidential awards. Relative to a year ago, total contract awards in February were up 38%, with residential down 14%, public works and utilities down 35%, more than offset by an increase of 163% in nonresidential awards. The two months' accumulation shows total construction awards up 41%—residential up 4%, nonresidential up 85%, and public works and utilities up 46%. It is difficult to tell, from the two months' record, whether this January-February performance in nonresidential awards represents a reversal of the trend in evidence for some time in this District, but certainly the two months' figures are impressive.

Financial

Loans and investments of all member banks in the Fifth District rose $8 million between January and February, whereas last year they were off $33 million. Loans and discounts rose $30 million this year compared with $6 million last year. Security holdings declined $22 million this year; last year, $39 million.

Total deposits of member banks were up $10 million during February to a level $226 million ahead of a year ago. Time deposits rose $16 million during the month and were $77 million ahead of last year. Demand deposits declined $6 million, but remained $149 million ahead of a year ago. Last year total deposits declined $95 million from January to February with time deposits up $11 million and demand deposits down $106 million. Member bank borrowings at the end of February were off $12 million from a month earlier, whereas a year ago they rose $41 million.

In the weekly reporting member banks commercial, industrial, and agricultural loans have been moving up since the end of February, but not quite so rapidly as they did a year ago. Real estate loans have shown some tendency to rise in this period, but only very slightly. "Other" loans in late weeks have risen slightly after a considerable decline from the year end. Those banks reporting loans by purpose show an increase in total commercial and industrial loans between January 23 and March 20 of $17.9 million compared with an increase of $20.2 million a year ago in the same period. Manufacturing and mining concerns in the same period this year showed an increase of $30 million compared with an increase of $18.8 million last year. Loans of trade concerns were up $5.6 million this year compared with $5.1 million a year ago; commodity dealers down $6.8 million this year versus $5.4 million last year; sales finance companies were down $2.8 million this year as against $10.3 million last year; public utilities down $5.4 million this year, up $3.9 million last year; construction concerns down $800 thousand this year, up $3.1 million last year; all other business down $3.5 million this year, up $5.0 million last year.

Net new savings in savings and loan shares, series E and H savings bonds and in time deposits of all member banks in the Fifth District during February totaled $28.3 million which compares with $27.7 million in January and $40.2 million in February 1956. In the first two months of 1957 these new savings totaled $56.1 million compared with $78.3 million a year ago, with losses in savings and loan shares and savings bonds more than offsetting a gain of $20.0 million in time deposits.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: Feb. 1957	2 Mos. 1957
Maryland	0	− 4
District of Columbia	−11	− 8
Virginia	− 2	− 1
West Virginia	+11	+ 4
North Carolina	− 1	+ 2
South Carolina	0	+ 2
District	− 3	− 2
INDIVIDUAL CITIES		
Baltimore, Md.	0	− 4
Washington, D. C.	−11	− 8
Richmond, Va.	− 7	− 3
Charleston, W. Va.	− 7	− 2
Charlotte, N. C.	+12	+ 6
Greenville, S. C.	− 6	−11

*Data from furniture departments of department stores as well as furniture stores.

WHOLESALE TRADE

LINES	Sales in Feb. 1957 compared with Feb. 1956	Sales in Feb. 1957 compared with Jan. 1957	Stocks on Feb. 28, 1957 compared with Feb. 29, 1956	Stocks on Feb. 28, 1957 compared with Jan. 31, 1957
Auto supplies	−42	−49	+ 1	+ 8
Electrical, electronic and appliance goods	−11	+22	−27	− 1
Hardware, plumbing, and heating goods	−10	−11	+ 4	+ 1
Machinery equipment supplies	+17	+ 1	− 6	+ 3
Drugs, chemicals, allied products	+ 3	−12	+10	+11
Dry goods	−10	− 1	− 4	+ 8
Grocery, confectionery, meats	− 5	−13	− 2	+ 3
Paper and its products	+ 8	−10	+ 7	+10
Tobacco products	− 3	− 3	NA	NA
Miscellaneous	−11	+ 7	+ 2	− 5
District total	0	− 9	+ 3	+ 5

NA Not available.

Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Feb. '57 vs Feb. '56	− 9	+13	0	− 9	+ 1
Sales, 2 Mos. ending Feb. 28, '57 vs 2 Mos. ending Feb. 29, '56	− 6	+14	+ 5	+ 3	+ 4
Stocks, Feb. 28, '57 vs '56	−10	+ 7	+ 8	+ 1	+ 4
Outstanding Orders, Feb. 28, '57 vs '56	− 5	+20	− 6	− 1	+ 2
Open account receivables, Feb. 1, collected in Feb. '57	32.3	30.9	39.9	35.0	35.6
Instalment receivables, Feb. 1, collected in Feb. '57	10.9	19.9	11.2	16.3	14.0

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Feb. '57 vs Feb. '56	+12	+13	− 5	+ 2	− 7	+ 3

BUILDING PERMIT FIGURES

(37 Cities)

	Feb. 1957	Feb. 1956	2 Months 1957	2 Months 1956
Maryland				
Baltimore	$ 9,666,215	$ 7,378,840	$16,634,865	$11,100,330
Cumberland	46,070	60,800	85,320	82,500
Frederick	47,030	41,600	179,030	89,350
Hagerstown	40,250	124,975	3,298,596	127,375
Salisbury	37,928	290,174	134,204	374,989
Virginia				
Danville	224,645	545,988	614,176	914,293
Hampton	534,722	604,499	5,078,220	1,038,388
Hopewell	134,950	145,885	198,333	335,164
Lynchburg	952,475	371,640	1,339,275	866,595
Newport News	271,776	238,412	349,515	329,856
Norfolk	774,459	1,404,870	1,608,896	2,196,713
Petersburg	200,234	174,000	319,234	419,000
Portsmouth	286,995	416,080	570,081	717,200
Richmond	3,832,482	1,969,199	5,168,967	3,443,163
Roanoke	1,916,731	1,153,871	3,334,549	2,556,604
Staunton	87,350	337,925	280,885	451,550
Warwick	521,297	692,828	847,715	1,145,567
Winchester*	143,850	NA	156,350	NA
West Virginia				
Charleston	276,905	353,567	875,575	500,352
Clarksburg	290,485	61,032	312,131	105,738
Huntington	228,404	177,075	487,354	372,687
North Carolina				
Asheville	448,450	461,556	684,300	581,271
Charlotte	1,404,266	1,965,425	2,599,294	4,155,397
Durham	2,239,873	588,007	2,738,809	698,591
Gastonia	556,450	306,450	1,087,750	1,344,775
Greensboro	745,105	1,758,990	2,865,729	2,533,825
High Point	336,820	466,645	826,379	1,021,814
Raleigh	632,040	1,129,586	1,970,580	1,852,911
Rocky Mount	324,970	178,791	435,594	629,387
Salisbury	180,338	247,360	542,053	358,400
Wilson	144,750	740,900	355,950	914,950
Winston-Salem	1,619,667	2,035,534	2,938,764	2,740,863
South Carolina				
Charleston	123,877	223,294	341,182	383,317
Columbia	378,585	1,377,772	1,413,033	2,575,954
Greenville	209,079	252,500	398,579	1,146,906
Spartanburg	250,365	179,345	475,529	487,930
Dist. of Columbia				
Washington	2,876,334	3,388,090	7,719,792	6,916,057
District Totals	$32,842,372	$31,843,505	$69,110,238	$55,509,762

* Not included in District totals.
NA Not available.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Feb. 1957	Jan. 1957	Feb. 1956	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New passenger car registrations*	...	145	152	− 4	− 4
Bank debits	197	196	182	+ 1	+ 8
Bituminous coal production*	105	99r	104r	+ 6	+ 1
Business failures—number	205	211	197	− 3	+ 4
Cigarette production	...	117	108	+17	+ 8
Cotton spindle hours	116	115	122	+ 1	− 5
Department store sales	136	144	130r	− 6	+ 5
Electric power production	...	209	192	+ 5	+ 9
Manufacturing employment*	...	113	112r	− 1	+ 1
Furniture store sales	118	119	116	− 1	+ 2
Life insurance sales	262	260	214	+ 1	+22

* Not seasonally adjusted.
r Revised.
Back figures available on request.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	Feb. 1957	Feb. 1956	2 Months 1957	2 Months 1956
Dist. of Columbia				
Washington	$1,435,482	$1,412,465	$ 2,951,489	$ 2,983,494
Maryland				
Baltimore	1,642,097	1,555,461	3,558,464	3,287,011
Cumberland	26,115	23,209	56,721	50,389
Frederick	24,968	22,307	51,026	46,459
Hagerstown	45,429	43,603	93,909	88,930
Salisbury**	32,360	32,884	70,821	67,806
Total 4 Cities	1,738,609	1,644,580	3,760,120	3,472,789
North Carolina				
Asheville	69,197	69,161	150,413	142,400
Charlotte	420,681	420,223	922,413	901,245
Durham	83,551	82,074	182,392	170,831
Greensboro	167,756	147,384	360,429	310,628
High Point**	55,653	54,425	115,292	108,971
Kinston	23,584	21,120	51,168	45,459
Raleigh	232,382	201,311	506,545	461,624
Wilmington	49,904	48,257	106,991	101,719
Wilson	19,623	20,037	44,501	43,461
Winston-Salem	179,751	183,312	398,622	375,633
Total 9 Cities	1,246,429	1,192,879	2,723,474	2,553,000
South Carolina				
Charleston	92,460	86,203	196,903	181,139
Columbia	203,340	186,097	414,167	391,818
Greenville	135,445	139,642	291,571	284,248
Spartanburg	66,101	66,493	141,288	141,842
Total 4 Cities	497,346	478,435	1,043,929	999,047
Virginia				
Charlottesville	38,730	34,461	82,434	73,995
Danville	42,395	42,131	97,772	90,426
Lynchburg	54,766	56,073	120,296	121,432
Newport News	57,842	59,333	122,026	120,569
Norfolk	296,395	286,919	632,831	596,433
Petersburg**	24,916	31,494	53,209	62,525
Portsmouth	34,820	36,883	75,446	74,374
Richmond	676,919	640,687	1,457,157	1,370,716
Roanoke	143,934	138,590	303,571	292,467
Total 8 Cities	1,345,801	1,295,077	2,891,533	2,740,412
West Virginia				
Bluefield	54,624	51,552	121,874	114,845
Charleston	166,974	168,139	391,645	367,642
Clarksburg	37,344	36,255	87,147	82,928
Huntington	79,529	83,815r	183,795	168,383r
Parkersburg	33,650	31,205	74,853	73,080
Total 5 Cities	372,121	370,966r	859,314	806,878r
District Totals	$6,635,788	$6,394,402r	$14,229,859	$13,555,620r

* Interbank and U. S. Government accounts excluded.
** Not included in City and District Totals
r Revised.

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Mar. 13, 1957	Change in Amount from Feb. 13, 1957	Change in Amount from Mar. 14, 1956
Total Loans	$1,867,038**	+ 9,383	+ 90,224
Bus. & Agric.	896,613	+ 14,776	+ 92,791
Real Estate Loans	334,789	+ 1,213	+ 4,214
All Other Loans	666,899	— 6,492	— 869
Total Security Holdings	1,588,661	+ 1,624	— 95,416
U. S. Treasury Bills	67,599	— 9,392	— 17,995
U. S. Treasury Certificates	53,646	+ 19,422	+ 23,904
U. S. Treasury Notes	259,536	— 2,973	— 39,027
U. S. Treasury Bonds	952,400	— 5,020	— 40,547
Other Bonds, Stocks & Secur.	255,480	— 413	— 21,751
Cash Items in Process of Col.	357,776	+ 4,902	— 1,243
Due from Banks	189,467*	+ 6,968	+ 13,848
Currency and Coin	80,500	— 2,472	+ 502
Reserve with F. R. Banks	516,729	+ 13,121	— 5,289
Other Assets	76,528	+ 263	+ 4,821
Total Assets	$4,676,699	+ 33,789	+ 7,447
Total Demand Deposits	$3,487,997	+ 9,883	— 23,155
Deposits of Individuals	2,674,669	+ 24,210	— 9,002
Deposits of U. S. Government	52,651	— 3,509	— 18,203
Deposits of State & Local Gov.	220,814	+ 7,011	+ 512
Deposits of Banks	482,856*	— 13,369	+ 7,760
Certified & Officers' Checks	57,007	— 4,460	— 4,222
Total Time Deposits	759,821	+ 4,482	+ 8,523
Deposits of Individuals	709,649	+ 7,330	+ 31,242
Other Time Deposits	50,172	— 2,848	— 22,719
Liabilities for Borrowed Money	25,000	+ 16,930	— 1,500
All Other Liabilities	56,282	+ 76	+ 2,647
Capital Accounts	347,599	+ 2,418	+ 20,932
Total Liabilities	$4,676,699	+ 33,789	+ 7,447

* Net figures, reciprocal balances being eliminated.
** Less losses for bad debts.